Saving TAFE Properly

The impacts of chronic Victorian government underfunding on vocational education and training and the sustainability of public TAFE provision

A research report by Per Capita for the Australian Education Union Victorian Branch

EXECUTIVE SUMMARY

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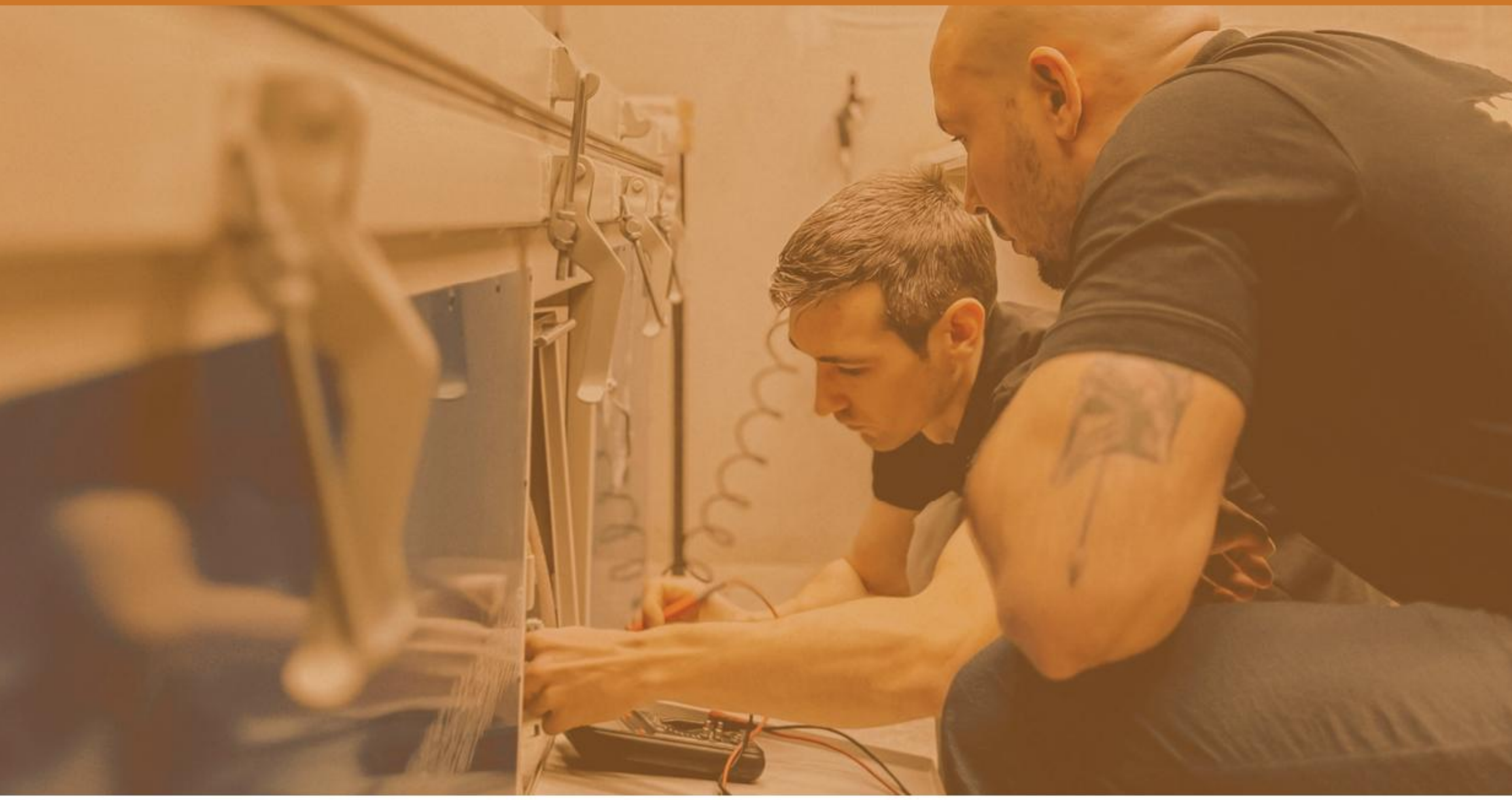

Executive Summary

Victoria's vocational education system sits at the heart of Victoria's economic and social infrastructure. It trains the workers in critical sectors - the care economy, construction and housing, the energy transition - that are core to the state's productivity. Yet the TAFE system in Victoria is not resourced or structured to perform this role effectively, now or into the future, as presented in this report.

Our evidence suggests that the gap between what TAFE is expected to deliver and what they are funded to deliver is widening, which places structural constraint on workforce development, service delivery, and long-term economic capacity.

This report examines that gap across four analyses. It draws on the Productivity Commission's Report on Government Services, Victorian Auditor-General's Office (VAGO) audits, three waves of the AEU *State of Our TAFEs* survey (2013, 2023, 2025), an independent audit of 2026 TAFE timetables, NCVER data, and the Victorian Government's Skills First subsidy schedule. Across every strand, one picture emerges: Victoria's funding model prioritises enrolment over delivery quality, and the cost is being absorbed by students, teachers, and the industries that depend on them.

Context

Victoria funds the lowest per-hour VET delivery of any state in the country, sitting $1.92 below the national average for every hour of training delivered. That shortfall works its way through the whole system. In 2025, 54.4 per cent of teachers reported having hours cut from courses they teach, meaning they are absorbing the difference by putting in close to seven unpaid hours a week. This results in 47.6 per cent of teachers intending to leave the sector in five years. On an adjusted basis, only one of the twelve standalone TAFEs recorded an operating surplus in 2025.

This matter impacts beyond education. Roughly 43 per cent of Australian workers are employed in TAFE-aligned sectors, and those sectors are among the least exposed to displacement by artificial intelligence, around 23 times lower on exposure than university-aligned occupations. This means that the state is underfunding the institutions that train the future workforce necessary for the state.

Figures at a glance

9% below national average	Funding per hour of training delivered is the lowest of any state or territory. Against NSW, the gap widens to 16 per cent	*RoGS 2026*
$73.5m	The sector's underlying deficit once one-off grants are set aside	*VAGO 2026*
7 hours	Unpaid overtime the typical teacher works each week	*AEU survey 2025*
54.4%	Teachers reporting hours cut from the courses they teach	*AEU survey 2025*
59.0%	Teachers who have considered leaving their TAFE	*AEU survey 2025*
Up to $108.7m	The value of the 7 hours unpaid overtime worked by TAFE teachers each year	*Per Capita analysis 2026*

The analysis is presented in four parts, each building on the last, followed by a set of structural recommendations organised into four reform pillars.

Part	What it establishes
1: Funding Structure	The funding baseline. Victoria is the lowest-funded jurisdiction, TAFE finances are structurally fragile, and the workforce consequences follow directly from both.
2: Course delivery, contact hours and Outcomes	What constrained funding means in the classroom: less instructional time, bigger classes, falling completions, and a workforce covering the gap with unpaid hours.
3: Course Hour Reductions	Course-level evidence that delivered hours fall below funded nominal hours. It looks at how common this is, how long it has gone on, and how closely it tracks the subsidy schedule.
4: Public good and economic contribution of TAFE	What is at stake beyond TAFE itself: equitable access, the supply of skilled labour, and resilience against technological disruption.

Part 1: Funding structures

Victoria's TAFE system is the lowest funded in Australia. The Productivity Commission's 2026 Report on Government Services, shows that Victoria funds roughly $19.44 for each hour of training delivered, against a national average of $21.36. That leaves it $1.92, or about 9 per cent below the average, and $3.71, or 16 per cent below the New South Wales rate.

This gap is not incidental. It is embedded in an enrolment-based funding model (Skills First) that pays a centrally-set subsidy per student enrolment hour rather than the actual cost of delivery. As a result, there are incentives to set minimum hours per course and compress delivery and it exposes TAFEs to revenue volatility.

Finances: deficits masked by capital grants

VAGO's audits of all 12 standalone TAFE institutes reveal a consistent pattern. Total TAFE sector revenue grew to $1.79 billion in 2025, yet the underlying operating position remained under pressure. Once irregular capital grants and advance funding are removed, only one institute recorded an adjusted operating surplus in 2025. At least eight TAFEs forecast cash deficits over 2024–2027.

VAGO funding (2023-2025)	Implications for funding policy
On an adjusted basis, only 1 of 12 TAFEs recorded an operating surplus in 2025	Operating funding is structurally insufficient; capital grants mask recurring shortfalls
At least 8 TAFEs forecast cash deficits over 2024–2027	Long-term financial sustainability is at risk without higher operating grants or further cost reduction
Persistent and significant variances between budgets and actual results	Funding design produces unpredictable revenue, undermining planning
Rising reliance on commercial income to cover operating costs	Diverts capacity from the core public mission to commercial activities

The shortfall is twofold. TAFEs are paid less per hour than providers in other jurisdictions, and they are not funded for all the hours students are entitled to receive. Even where per hour rates were adequate, the total operating grant pool would not cover the full volume of delivery expected.

Workforce: a pipeline under sustained strain

The workforce consequences flow directly from inadequate and unstable funding. Victorian TAFE teachers report working roughly **7 additional unpaid hours per week**. The AEU survey 2025 shows a workforce under intensifying pressure:

- **72.0%** report a rise in the pace and intensity of their work; **70.3%** say workload makes it hard to do the job to the standard they would like.
- **59.0%** have considered leaving their TAFE job in the past year, and **47.6%** do not expect to remain in the sector beyond five years.
- **40.1%** of departing colleagues left for better pay in industry; only **28.9%** of teachers agree their pay reflects their professional value.
- **65.3%** report more students presenting with additional needs since Free TAFE began, while **46.6%** say no additional support services were allocated.

Part 2: Course delivery, contact hours, and student outcomes

Chronic underfunding has a direct, measurable effect on what students receive in the classroom. Funding pressure means reduced instructional time: actual delivered hours fall below nominal entitlements, and the gap has widened as enrolments grew without the resourcing to match. When resources are stretched thinner, learning suffers unless the goodwill of teachers make up the difference with unpaid hours.

The effect on students is measurable. Completion rates are declining, satisfaction with teaching quality is falling, and the students who rely on TAFE most (diverse groups, mature-age learners, and those with complex needs) are bearing the greatest cost.

Teachers can see it coming: 61.6 per cent believe reduced contact time will significantly affect students' ability to complete, and 94.9 per cent expect at least some impact.

There is a gap between what students enrol for and what they actually receive and that is a direct product of the funding architecture set out in Part 1. There is a widening completion gap between TAFE and the general VET population. This is not evidence of weaker teaching. This is because TAFE enrols more students who face barriers to completion, and rather than compensating for it, course hours are shaved. Existing Skills First loadings do not offset low socioeconomic background, prior educational disadvantage, or non-English-speaking background, each of which predicts completion risk.

Hour shaving[1] falls hardest on the students already most at risk.

[1] Hour shaving is the practice of compressing delivery below the funded nominal hours while the curriculum remains unchanged

Part 3: Course Hour Reductions: prevalence, persistence, and structural drivers

At the course level, evidence from teacher reports, direct observation and administrative funding records shows that hour shaving has become a persistent feature of Victorian TAFE delivery. This reduces the time available for teaching while leaving the curriculum that students are expected to complete largely unchanged.

- In 2025, **54.4% of teaching respondents** reported having hours shaved from a course they teach, with a median reduction of 20% and one in three reporting cuts of 30% or more.
- In **93.6% of cases**, teachers are still required to cover the full curriculum in the reduced hours. The courses are not being shortened; the time to deliver them is being compressed.
- The pattern is not new. The **2013 survey already recorded 64.9%** of teachers reporting reductions.

Independent verification: the 2026 timetable audit

An audit of published 2026 timetables against National Training Package nominal hours confirms the teacher-reported data. The shortfalls are largest precisely where hours are *not* externally mandated, and the funding correlation is direct: the most-shaved courses are subsidised well below the all-program median of $7.50/hr.

Qualification (provider)	Nominal	Delivered	Shortfall	Subsidy
Dip. Early Childhood Ed. & Care	1,288	619*	51.9%	$4.23/hr
Dip. Early Childhood Ed. & Care	1,288	976*	24.2%	$4.23/hr
Cert IV Cyber Security	870	528	39.3%	$4.55/hr
Cert III Commercial Cookery	955	628.5	34.2%	n/a
Diploma of Nursing	1,780	1,768*	0.7%	$10.00/hr

**Includes mandatory work-integrated placement hours. The only audited course with effectively no shortfall is the Diploma of Nursing, which is bound by external regulator hour mandates and sits above the median subsidy.*

Part 4: The public good and economic contribution of TAFE

TAFE plays a much broader role in Victoria than its place within the education system might suggest, providing pathways into post-secondary education while supplying skilled labour to some of the state's most important industries and supporting workforce resilience as technological change alters our ways of working.

Around 43 per cent of national employment sits in TAFE-aligned sectors, and those sectors are strikingly resilient to automation. Victoria's industry mix closely tracks the national one. On the AI Adoption-Exposure Index they score 0.78, against 17.95 for university-aligned occupations, meaning they are less likely to be replaced by technology and automation by a wide margin.

At the same time, demand is climbing. Australia faces a projected shortfall of more than 200,000 full-time care workers by 2050. Over 40% of new workers in Victoria are expected in jobs within the construction and care economy sectors from 2025-2028.

These sectors power the physical economy and deliver essential public services. They will supply the technical workforce for Victoria's infrastructure pipeline, from the Metro Tunnel and Suburban Rail Loop to the North-East Link, more than 110 level-crossing removals, and the renewable-energy build-out. They also form the foundations for the care economy, including early childhood, health, and aged care.

A policy at odds with itself

Victoria is delivering one of the largest infrastructure programs in its history, facing acute workforce shortages in the very sectors that must deliver it, and at the same time underfunding the institutions that train those workers.

A government that invests billions in the Big Build while starving the training system that supports it is working against its own objectives.

The consequences of underfunding are already being felt, however the worst is yet to come in five to ten years, when infrastructure projects hit skilled-labour constraints and care quality deteriorates due to staff shortages. Public support is on the side of reform. Backing for increased government spending on education has risen across Per Capita's 2023 and 2024 tax surveys. Properly funding TAFE is a prerequisite for nearly every Victorian Government strategic objective.

The evidence across all four parts tells one coherent, urgent story. Victoria's chronic underfunding of TAFE is not simply an education policy problem.

It limits economic development, infrastructure delivery, workforce resilience, and social equity.

The problems compound every year if they are not fixed. Completion rates are suppressed, fewer skilled workers enter indispensable industries, and institutional capability erodes in ways that cannot be quickly reversed.

What is needed is not just another tweak to enrolment subsidies, but a genuine rethink of how public vocational education is funded, governed, and protected. The evidence for that rethink is clear. What is missing is the political will to act on it.

Four pillars of structural reform

The recommendations arise directly from the evidence and target the structural conditions that need to be resolved: funding adequacy, delivery quality, workforce sustainability, and system governance.

Pillar 1: Funding Reform

Recommendation 1: Replace the enrolment-hour funding model with block funding calibrated to the actual cost of delivery.

The structural weaknesses documented across this report are not the product of poor management or isolated policy missteps; they are the predictable output of the funding model itself. Victoria funds vocational education principally through a subsidy paid per student enrolment hour, set centrally rather than by the actual cost of delivery, and this mechanism is the root of the problems this report has traced. Where the per-hour subsidy falls below delivery cost, providers face a structural incentive to deliver fewer hours, and the hour shaving documented in Part 3 is a rational response to that incentive rather than an aberration. Because revenue moves with enrolment demand and shifting program settings, TAFEs cannot plan with confidence, producing the recurrent deficits and reliance on commercial revenue documented in Part 1. And because an enrolment-hour rate pays only for enrolments, it renders invisible the additional costs of complex-needs learners, regional and thin-market delivery, and the community-service obligations TAFE alone must carry. Adjusting the rate is necessary but insufficient: the rate is a symptom of a deeper design fault, and a model that funds enrolment volume will keep producing these outcomes even at a higher rate. The Victorian government should therefore transition from enrolment-hour subsidy to block funding calibrated to the genuine cost of delivery, through the following measures.

a. **Raise the per-hour rate to at least the national average immediately, as an interim stabilising measure pending transition.** Victoria's $1.92 per-hour shortfall relative to the national average should be closed without delay, ahead of the broader funding reform. This is a stabilising first step, not a solution, and does not displace the need to replace the enrolment-hour basis.

b. **Move to block funding based on the actual cost of delivering nominal hours.** TAFE funding should be re-established to meet the actual cost of delivery, based on nationally recognised volume-of-learning and nominal-hour allocations, and provided as block funding to minimise the volatility inherent in enrolment-based approaches. The government should commission an independent assessment of the full cost of delivering nominal hours across qualification types, with particular attention to resource-intensive programs, and set funding accordingly.

c. **Align funding with nominal hours and make delivery an enforceable condition.** The funding baseline should reflect the genuine learning time the training package specifies, rather than a locally reduced amount driven by funding constraints. Where providers are funded at nominal hours, delivery of those hours should be a binding condition of Skills First contract compliance, so the subsidy corresponds to a commitment to deliver the hours on which it was calculated. This is only viable once the funding rate reflects the actual cost of delivery (1b). Its enforcement mechanism is set out in Recommendation 6.

d. **Introduce a provider-side student complexity loading.** TAFE's obligation to enrol students with disability, low socioeconomic background, prior educational disadvantage, and non-English-speaking backgrounds generates costs not reflected in enrolment-based funding, and the completion-rate gaps documented in this report reflect that intake differential. Existing Skills First concessions are primarily student-facing and do not compensate institutions for the delivery costs of high-needs intake. A complexity loading, analogous to disability and equity loadings in school funding and additional to the existing TAFE Services Fund allocation, should be introduced so that the raw completion gap between TAFE and private RTOs reflects intake differences rather than funding inequality.

e. **Recognise and fund the public-service role of TAFE.** Block funding covers core delivery costs, but TAFEs also maintain training capacity in regional areas, deliver critical low-demand programs, and support disadvantaged learners, functions not captured by enrolment-based models. The government should commission an independent assessment of the full cost of TAFE's community-service obligations and benchmark existing funding and loadings against actual delivery costs, adjusting loadings where a material gap is identified. For structural, ongoing obligations such as regional campuses, thin-market qualifications and high-needs cohorts, a baseline institutional funding component should supplement activity-based loadings, reducing TAFEs' dependence on commercial revenue to cross-subsidise their public functions.

Pillar 2: Delivery Capacity and System Expansion

Recommendation 2: Provide enrolment-growth supplements for TAFE institutes experiencing rapid volume increases.

Rapid enrolment growth creates delivery compression, where student numbers outpace the staffing, space, and resources that flat per-student funding can support. Free TAFE has accelerated this pressure, and static funding cannot address it. A time-limited delivery capacity supplement tied to growth above a defined threshold would allow Victorian TAFEs to expand staffing and infrastructure without compromising completion rates. This flexible measure would reflect the on-the-ground realities of TAFE delivery during a period of rapid expansion.

Recommendation 3: Link Free TAFE enrolment growth to funded staffing capacity.

The expansion of Free TAFE places has increased access to vocational education, but enrolment growth has not always been matched by equivalent increases in staffing resources. Future program expansion should therefore be explicitly linked to funded teaching positions and institutional resources. Aligning enrolment growth with staffing capacity is essential to prevent excessive workload pressures and maintain educational quality.

Pillar 3: Workforce Sustainability

Recommendation 4: Address workforce sustainability in the TAFE teaching profession.

As dual professionals, TAFE educators are expected to maintain industry currency while managing increasing teaching, planning and administrative demands, resulting in significant unpaid labour and work intensity that is not matched by remuneration. In addition, salary settings lag behind industry standards, creating strong incentives for qualified practitioners to leave the sector (see, inter alia, the attrition and workforce-departure attitudes documented in Part 2).

Policy reform should therefore prioritise workforce sustainability through four complementary measures. First, improving the competitiveness of TAFE teacher remuneration relative to other sectors competing for the same talent pool. Second, reducing workload intensity through genuine administrative burden reduction and adequate preparation time. Third, ensuring employment security, as any casualisation can worsen attrition. Fourth, significantly increasing support to enable TAFE teachers to be sponsored through scholarships to gain higher-level teaching qualifications at AQF levels 5 and 6, supporting ongoing high-quality teaching and learning and improved remuneration. Without addressing these structural conditions, the sector will continue to face challenges in attracting and retaining the skilled educators required to deliver high-quality vocational training. Strengthening the attractiveness and sustainability of the TAFE teaching profession is essential to maintaining the workforce pipeline that underpins broader economic and social outcomes.

Recommendation 5: Stabilise institutional funding to support long-term planning.

TAFE institutions require greater financial stability to sustain workforce capacity and program delivery. Current revenue volatility, driven by fluctuations in enrolment demand and program funding arrangements, undermines long-term planning for staffing, infrastructure and course development. Government funding frameworks should therefore incorporate mechanisms that stabilise institutional revenue streams, enabling TAFEs to plan workforce recruitment, maintain program continuity, and invest in teaching capability.

Pillar 4: Governance and System Integrity

Recommendation 6: Strengthen regulatory oversight of training delivery.

Current regulatory arrangements do not treat a reported gap between timetabled and nominal hours as a trigger for compliance action. TAFEs may report such gaps in Training Activity data without regulatory consequence, and neither ASQA nor VRQA has a systematic mechanism for translating delivery-hour data into enforcement outcomes. The Victorian government should work with ASQA and VRQA to establish a clear regulatory pathway from delivery-hour data to compliance action. This includes defining a threshold below which reported hours constitute a material departure from contracted obligations, requiring providers to justify scheduled hours that fall below nominal hours, and using Training Activity data to identify patterns of systematic under-delivery. Where under-delivery is confirmed, remedial action should include both student redress and funding-recovery provisions. This enforcement mechanism gives effect to the delivery obligation established in Recommendation 1c.

The bottom line

> *What the evidence calls for: fund the actual cost of delivery, fund the hours students are entitled to, sustain the workforce, and enforce delivery.*

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